

## **Commissioner's Monthly Column**

### **Insure LA Incentive Program Closes Round Three with No Proposals**

**January 6, 2009**

The Department of Insurance has just completed the third and final round of offerings under the Insure Louisiana Incentive Program with no proposals submitted in this round, which ran from October 31 – December 31, 2008. This program was created by the Louisiana Legislature in 2007 as a means to attract new homeowners and commercial property and casualty insurance companies to Louisiana after some companies stopped writing new policies in the coastal areas following Hurricanes Katrina and Rita in 2005. The incentive program is a pool of \$100 million that offered matching grants of \$2 million to \$10 million to insurance companies who agree to write new property insurance policies in Louisiana. This means that if a company accepts a grant for \$5 million, they must match it with \$5 million and write new policies at a rate of two to one, meaning they must write \$20 million in annual premiums.

As an additional requirement to receive the grant, companies must write 25 percent of the new premium on property insured by the Louisiana Citizens Property Insurance Corporation (Citizens) and 50 percent of the business taken from Citizens must be on property located in the 37 parishes included in the federal Gulf Opportunity Zone Act in Louisiana. Participating companies must keep the policies for five years.

Previously, five insurance companies received grants through Insure Louisiana Incentive Program totaling \$29 million in the program's first round that ran from October 2 through November 1, 2007. Those companies are four companies writing homeowners insurance; ASI Lloyds, Imperial Fire & Casualty Insurance Company, Southern Fidelity Insurance Company and Occidental Fire & Casualty Insurance Company of North Carolina and Companion Property and Casualty (commercial).

No insurance companies qualified for the second round of offering under this program from February 4 – March 4, 2008.

Efforts have been underway by Louisiana Citizens Property Insurance Corporation to reduce the number of property and casualty policies held by the company as well through companies not participating in the Insure Louisiana Incentive Program. On June 1, 2008 five private insurance companies took over 26,595 policies from Louisiana Citizens Property Insurance Corporation in the first "depopulation program" created to reduce the size of the state-backed property insurer of last resort. Under this program, private insurers make offers and obtain agent authorization to take policies out of Citizens. If there are several offers for the same policy, insurance agents select the company they

think would best fit their client. In the end, consumers have the final say over what happens to their insurance policy and any Citizens policyholder can keep their policy with Citizens if they so choose. Four Insure Louisiana Incentive Program companies and a fifth insurer participated in this first round of take-outs.

A second round of take-outs by private insurance companies was completed by Citizens on December 1, 2008 through the same depopulation process. With this round, approximately 14,000 policies were removed from Citizens and placed with six private insurance companies, three Insure Louisiana Incentive Program companies and three others.

The number of policies held by Citizens pre-Katrina is now approximately 125,000, the same number as the day before Katrina hit our state. The largest number of policies held by Citizens post Katrina in early 2008 was approximately 170,000. The two rounds of policy take-outs held by Citizens have proven so successful, that Citizens CEO John Wortman is planning a third round of take-outs in the spring of 2009. Not only are the Insure Louisiana Incentive Program companies participating in the take-out opportunities, but additional insurance companies are seeing this as a good opportunity to pick up business in the property and casualty market in Louisiana.

One reason we had no takers for the second and third rounds of grant offerings was the high solvency requirements contained in the law authorizing the grants. In fact, two companies that applied for \$5 million each were rejected for failure to meet those standards.

Even with only one active round of participants, the Insure Louisiana Incentive Program has certainly proven to be effective in bringing new insurance companies to Louisiana, giving consumers more choices and lower property and casualty insurance rates, and causing Citizens, the state-backed insurer of last resort to reduce the policy size of their book of business, all goals of the Insure Louisiana Incentive Program. I'm delighted to know the people of Louisiana now have a choice when it comes to their property and casualty insurance needs.